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FM AMEMBASSY RANGOON
TO RUEHC/SECSTATE WASHDC IMMEDIATE 8501
INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHBY/AMEMBASSY CANBERRA 1690
RUEHBJ/AMEMBASSY BEIJING 2138
RUEHKA/AMEMBASSY DHAKA 5065
RUEHNE/AMEMBASSY NEW DELHI 5168
RUEHUL/AMEMBASSY SEOUL 8764
RUEHKO/AMEMBASSY TOKYO 6336
RUEHCN/AMCONSUL CHENGDU 1658
RUEHCHI/AMCONSUL CHIANG MAI 1969
RUEHCI/AMCONSUL KOLKATA 0506
RUEAIIA/CIA WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEKJCS/DIA WASHDC
RUEHGV/USMISSION GENEVA 4182
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC
RUCNDT/USMISSION USUN NEW YORK 2158
RUEHBS/USEU BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 03 RANGOON 000001

SIPDIS

STATE FOR EAP/MLS, INR/EAP
DEPT PASS TO USDA
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E.O. 12958: DECL: 01/02/2019
TAGS: [EAGR](#) [ECON](#) [EFIN](#) [PREL](#) [PGOV](#) [BM](#)
SUBJECT: BURMA: RICE EXPORTS LOWER THAN EXPECTED IN 2008
BUT LIKELY TO INCREASE IN 2009

REF: A. 08 RANGOON 874
[B.](#) 08 RANGOON 075
[C.](#) 08 RANGOON 285

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Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4
(b and d).

Summary

[11.](#) (C) Despite GOB expectations that rice exports in November and December would total 300,000 metric tons, Burmese traders and military-owned Myanmar Economic Corporation (MEC) exported only 45,000 metric tons of rice during this period. Demand for Burmese rice remains low, as international customers refuse to pay relatively high prices for inferior quality Burmese rice. According to SGS Consultants Managing Director U Kyaw Tin, GOB officials predict Burma will have a rice surplus of three million metric tons in 2009, which will be available for export. Agricultural specialists challenge those expectations, noting that Burma lacks the infrastructure to mill, store, transport, and ship that much rice. Most specialists agree that official 2009 exports will likely total between 500,000-750,000 metric tons, assuming prevailing conditions.
End Summary.

Lifting Ban Does Not Guarantee Exports

[12.](#) (C) The Burmese Government, expecting a 300,000 metric ton rice surplus after the November 2008 harvest, lifted its

ban on rice exports on November 4, issuing 11 export permits to 10 companies (Ref A). While traders had urged the GOB for months to lift the export ban so they could sell their more than 200,000 metric tons of rice stocks, Burmese rice prices had fallen by 63 percent (from USD 800/metric ton to USD 260/metric ton) by November, making exports of old rice unprofitable. By the end of December, Burma exported 45,000 metric tons of rice -- 33,000 metric tons to Cote d' Ivorie and 12,000 metric tons to Bangladesh. The majority was exported by MEC; otherwise, only Aye Ya Shwe Wah Company, owned by Tay Za and Aung Thet Mann, shipped 7,000 metric tons to Bangladesh in November, SGS Consultants Managing Director U Kyaw Tin informed us. He reported that both MEC and Aye Ya Shwe Wah paid farmers USD 160/metric ton for recently harvested rice and sold it for USD 280 per metric ton, earning USD 120/metric ton in profit.

¶3. (C) Agricultural trader Anwar Hussein told us that lower profitability was only one reason why rice traders refused to export. The real reason: most Burmese traders lacked the capital to purchase new rice for export and were unwilling to take a loss by exporting their existing stocks, purchased at considerably higher prices before the GOB authorized foreign sales. Instead, Hussein noted that most traders plan to export their existing rice stocks only when prices increase, which they believe should occur by March. U Kyaw Tin commented that while the traders' plans made financial sense, he was unsure whether the traders had the proper facilities to store rice for long periods of time. He surmised that by February, much of the older rice stocks could begin to rot, making it impossible to sell.

2008 Rice Exports Lower than Expected

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¶4. (C) Rice export values have fluctuated widely during the past six years, due to low rice production, heavy floods in rice producing areas, and the high price of domestic rice. In 2006 and 2007, Burma's rice production declined dramatically due to heavy flooding in Irrawaddy and Sagaing Divisions, prompting the GOB to limit exports. In late 2007, the GOB announced that it would export approximately 400,000 metric tons of rice in the first six months of 2008, a more than 1000 percent increase over 2007 levels (Ref B). Bolstered by strong exports during the first half of 2008, the GOB later predicted that official rice exports would total 800,000 by December 2008 (Ref C). However, rice exports were disrupted in May, after Cyclone Nargis devastated much of the Irrawaddy Division, Burma's main rice producing region. By December 2008, GOB official statistics showed exports totaling approximately 468,000 metric tons of rice, an increase of 1400 percent over 2007 figures but still well below the GOB's revised target. According to U Kyaw Tin, official rice export figures do not include border trade with Bangladesh or exports by MEC. A more accurate figure is 700,000 metric tons, he estimated.

Burma's Official Rice Exports, 2007-2008
In Metric Tons

Year	Amount Exported	Percent Change
2003	398,000	--
2004	115,297	-71
2005	219,624	90
2006	46,815	-79
2007	31,200	-33
2008	468,641	1402

Source: SGS Consultants, December 2008

2009: Year of Burmese Rice?

15. (C) GOB officials, predicting a rice surplus of approximately three million metric tons, expect Burmese rice exports to increase dramatically in 2009. The Ministry of Agriculture continues to encourage farmers throughout the country to grow more rice, offering incentives such as lower-priced seeds and low-interest loans from the Myanmar Agricultural Bank. U Kyaw Tin told us that Burma will likely have a large surplus in 2009, as farms in the Irrawaddy Delta recover from Cyclone Nargis damage and farmers in Northern Burma continue to plant and harvest high yields. Aung Kyaw Htoo, SGS Agricultural Specialist, reported that the GOB's 2009 target was unrealistic, but he too anticipated the rice surplus in 2009 will increase significantly to approximately one million metric tons, assuming current conditions prevail.

16. (C) U Kyaw Tin told us that in addition to extending the validity of the 10 remaining rice permits, the GOB will issue additional rice export permits in January and February. If world commodity prices continue to increase (Burmese rice prices rose from USD 280 to USD 300 during the last week in December), more traders will export rice. U Kyaw Tin predicted that private Burmese traders could export as much

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as 500,000 metric tons of rice by April 1; MEC levels could be roughly the same. Depending on the yields of the November 2009 crop, 2009 private exports could be as much as 750,000 metric tons, Aung Kyaw Htoo predicted.

17. (C) Even if rice production and surpluses increase as foreseen, Burma faces an additional constraint on exports -- the lack of infrastructure to process and ship a significantly increased quantity of rice, U Kyaw Tin commented. Many of Burma's premier rice mills were destroyed by Nargis; reconstruction will take time. Additionally, the GOB continues to prevent the movement of rice between states and divisions, only allowing selected crony companies to move rice from Northern Burma for export. As U Kyaw Tin noted, before it can export large volumes, the Burmese Government would need to build new roads, improve cargo storage facilities at the Port of Rangoon, and invest in new rice mills -- none of which it currently plans to do.

VAJDA